

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
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February 26, 2002

Ms. Alyce James, Administrator
Marion Nursing Center, Inc.
Post Office Box 1485
Marion, South Carolina 29571-1485

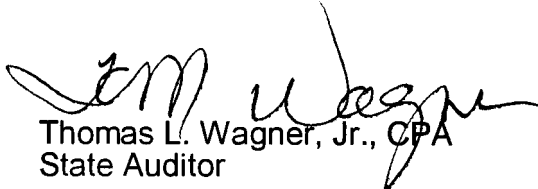
Re: AC# 3-MAR-J9 – Marion Nursing Center, Inc.

Dear Ms. James:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

MARION NURSING CENTER, INC.

MARION, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-MAR-J9**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 27, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Marion Nursing Center, Inc., for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

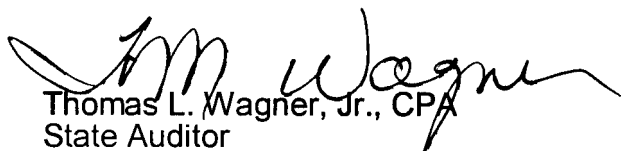
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Marion Nursing Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Marion Nursing Center, Inc. dated as of October 1, 1995 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 27, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

MARION NURSING CENTER, INC.
Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-MAR-J9

Interim reimbursement rate (1)	\$90.28
Adjusted reimbursement rate	<u>89.65</u>
Decrease in reimbursement rate	\$ <u>.63</u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

MARION NURSING CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 2000
AC# 3-MAR-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$42.78	\$50.22	
Dietary		8.84	10.56	
Laundry/Housekeeping/Maint.		<u>10.91</u>	<u>9.12</u>	
Subtotal	<u>\$4.89</u>	62.53	69.90	\$62.53
Administration & Med. Rec.	<u>\$3.12</u>	<u>8.08</u>	<u>11.20</u>	<u>8.08</u>
Subtotal		70.61	<u>\$81.10</u>	70.61
<u>Costs Not Subject to Standards:</u>				
Utilities		2.04		2.04
Special Services		.66		.66
Medical Supplies & Oxygen		3.13		3.13
Taxes and Insurance		1.11		1.11
Legal Fees		<u>.04</u>		<u>.04</u>
TOTAL		<u>\$77.59</u>		77.59
Inflation Factor (3.20%)				2.48
Cost of Capital				7.03
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.72
Cost Incentive				4.89
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.86)
Nurse Aide Staffing Add-On 10/01/00				.27
Nurse Aide Staffing Add-On 10/01/99				<u>.53</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$89.65</u>

MARION NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MAR-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,350,212	\$ -	\$ 1,000 (3) 2,290 (4)	\$1,346,922
Dietary	278,494	-	-	278,494
Laundry	49,310	-	-	49,310
Housekeeping	158,463	-	1,440 (5)	157,023
Maintenance	139,145	-	1,938 (5)	137,207
Administration & Medical Records	265,645	-	1,057 (5) 10,245 (6)	254,343
Utilities	64,331	-	-	64,331
Special Services	20,634	-	-	20,634
Medical Supplies & Oxygen	100,132	-	1,656 (5)	98,476
Taxes & Insurance	35,023	-	-	35,023
Legal Fees	1,169	-	-	1,169
Cost of Capital	221,001	185 (1) 547 (7)	365 (2)	221,368
Subtotal	2,683,559	732	19,991	2,664,300

MARION NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MAR-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	6,797	-	-	6,797
Non-Allowable	269,572	365 (2) 1,000 (3) 2,290 (4) 6,091 (5) <u>10,245 (6)</u>	547 (7)	289,016
Total Operating Expenses	<u>\$2,959,928</u>	<u>\$20,723</u>	<u>\$20,538</u>	<u>\$2,960,113</u>
Total Patient Days	<u>31,487</u>	<u>-</u>	<u>-</u>	<u>31,487</u>
TOTAL BEDS	<u>88</u>			

MARION NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MAR-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$12,800	
	Cost of Capital	185	
	Accumulated Depreciation		\$10,876
	Other Equity		2,109
	To adjust fixed assets and related depreciation State Plan, Attachment 4.19D		
2	Nonallowable	365	
	Cost of Capital		365
	To disallow reported organization costs HIM-15-1, Section 2134.10		
3	Nonallowable	1,000	
	Nursing		1,000
	To disallow expenses not adequately documented HIM-15-1, Section 2304		
4	Nonallowable	2,290	
	Nursing		2,290
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D		
5	Nonallowable	6,091	
	Maintenance		1,938
	Administration		1,057
	Housekeeping		1,440
	Medical Supplies		1,656
	To disallow expenses not adequately documented HIM-15-1, Section 2304		

MARION NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MAR-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Administration	10,245	10,245
	To reclassify expense to the proper cost center State Plan, Attachment 4.19D		
7	Cost of Capital Nonallowable	547	547
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$33,523</u>	<u>\$33,523</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

MARION NURSING CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MAR-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>88</u>
Deemed Asset Value	3,182,520
Improvements Since 1981	305,254
Accumulated Depreciation at 9/30/99	<u>(589,212)</u>
Deemed Depreciated Value	2,898,562
Market Rate of Return	<u>.060</u>
Total Annual Return	173,914
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	173,914
Depreciation Expense	47,454
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	221,368
Total Patient Days (Actual Days)	<u>31,487</u>
Cost of Capital Per Diem	\$ <u><u>7.03</u></u>

MARION NURSING CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MAR-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$3.28
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.27</u>
Reimbursable Cost of Capital Per Diem	\$7.03
Cost of Capital Per Diem	<u>7.03</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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